

**VILLAGE OF CARSONVILLE**  
**Sanilac County, Michigan**

**ANNUAL FINANCIAL REPORT**  
**WITH SUPPLEMENTARY INFORMATION**

**FOR THE TEN MONTHS ENDED**  
**DECEMBER 31, 2007**

Stewart,  
Beauvais  
& Whipple P.C.

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CERTIFIED PUBLIC ACCOUNTANTS



# VILLAGE OF CARSONVILLE

Sanilac County, Michigan

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## INDEPENDENT AUDITOR'S REPORT

To the President and  
Members of the Village Council  
Village of Carsonville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Village of Carsonville, Michigan, as of and for the ten months ended December 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Carsonville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carsonville, Michigan, as of December 31, 2007, and the respective changes in financial position and the cash flows of its proprietary fund type for the ten months then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2008, on our consideration of the Village of Carsonville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The schedules of budgetary comparisons on pages 27 through 29 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Carsonville's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statement.

  
Certified Public Accountants

June 26, 2008

## **BASIC FINANCIAL STATEMENTS**

# VILLAGE OF CARSONVILLE, MICHIGAN

## STATEMENT OF NET ASSETS DECEMBER 31, 2007

	Primary Government		
	Governmental	Business Type	
	Activities	Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 84,052	\$ 11,697	95,749
Receivables	760	62,413	63,173
Prepaid expenses	27,617	5,095	32,712
Due from other governmental units	28,651	-	28,651
Restricted Assets -			
Cash and cash equivalents	-	206,966	206,966
Accounts receivable	-	30,392	30,392
Special assessments	-	1,068,834	1,068,834
Tap-in fees receivable	-	42,141	42,141
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	96,875	9,600	106,475
Assets being depreciated	853,857	4,326,453	5,180,310
Total Assets	<u>1,091,812</u>	<u>5,763,591</u>	<u>6,855,403</u>
<b>LIABILITIES:</b>			
Payables and accrued liabilities	15,458	8,048	23,506
Accrued interest	-	13,205	13,205
Non-current liabilities -			
Due within one year	26,751	66,500	93,251
Due in more than one year	57,156	2,700,543	2,757,699
Total Liabilities	<u>99,365</u>	<u>2,788,296</u>	<u>2,887,661</u>
<b>NET ASSETS:</b>			
Investment in capital assets, net of related liabilities	866,825	2,714,521	3,581,346
Net Assets			
Restricted -			
Acquisition and construction of capital assets	27,870	-	27,870
Street maintenance and improvements	80,008	-	80,008
Debt Service	-	147,476	147,476
Unrestricted	17,744	113,298	131,042
Total Net Assets	<u>\$ 992,447</u>	<u>\$ 2,975,295</u>	<u>\$ 3,967,742</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CARSONVILLE, MICHIGAN

## STATEMENT OF ACTIVITIES FOR THE TEN MONTHS ENDED DECEMBER 31, 2007

Functions/Programs	Expenses	Program Revenues		
		Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General Government	\$ 67,543	\$ 7,995	\$ -	\$ -
Public Safety	101,255	14,425	638	24,000
Public Works	93,237	-	49,808	-
Interest on Long Term Debt	1,983	-	-	-
Total governmental activities	<u>264,018</u>	<u>22,420</u>	<u>50,446</u>	<u>24,000</u>
Business type activities:				
Water	91,218	107,222	-	-
Refuse Services	30,374	31,503	-	-
Sewage Collection System	70,868	29,137	-	-
Interest on Long Term Debt	72,405	-	-	-
Total business type activities	<u>264,865</u>	<u>167,862</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>528,883</u>	<u>190,282</u>	<u>50,446</u>	<u>24,000</u>
General revenues:				
Taxes				
Property taxes levied for general purposes				
Property taxes levied for streets				
Grants and contributions not				
restricted to specific programs				
Special assessments				
Unrestricted investment income				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year				
Net assets at end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

Primary Government		
Governmental Activities	Business Type Activities	Total
\$( 59,548)	\$ -	\$( 59,548)
( 62,192)	-	( 62,192)
( 43,429)	-	( 43,429)
( 1,983)	-	( 1,983)
<u>( 167,152)</u>	<u>-</u>	<u>( 167,152)</u>
-	16,004	16,004
-	1,129	1,129
-	( 41,731)	( 41,731)
-	<u>( 72,405)</u>	<u>( 72,405)</u>
-	<u>( 97,003)</u>	<u>( 97,003)</u>
<u>( 167,152)</u>	<u>( 97,003)</u>	<u>( 264,155)</u>
86,249	-	86,249
33,597	-	33,597
53,331	-	53,331
-	41,599	41,599
1,443	2,648	4,091
<u>174,620</u>	<u>44,247</u>	<u>218,867</u>
7,468	( 52,756)	( 45,288)
<u>984,979</u>	<u>3,028,051</u>	<u>4,013,030</u>
<u>\$ 992,447</u>	<u>\$ 2,975,295</u>	<u>\$ 3,967,742</u>



# VILLAGE OF CARSONVILLE, MICHIGAN

## BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2007

	General	Major Street	Municipal Street	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 617	\$ 43,654	\$ 12,668	\$ 27,113	\$ 84,052
Receivables -					
Interest and accounts	760	-	-	-	760
Due from other governmental units -					
Federal/State	22,026	4,861	-	1,764	28,651
Due from other funds	-	-	-	20,000	20,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
 Total Assets	 <u>\$ 23,403</u>	 <u>\$ 48,515</u>	 <u>\$ 12,668</u>	 <u>\$ 48,877</u>	 <u>\$ 133,463</u>
 <b>Liabilities:</b>					
Accounts payable	\$ 3,269	\$ 12	\$ 1,530	\$ -	\$ 4,811
Accrued liabilities	10,007	138	470	32	10,647
Due to other funds	20,000	-	-	-	20,000
	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
 Total Liabilities	 <u>33,276</u>	 <u>150</u>	 <u>2,000</u>	 <u>32</u>	 <u>35,458</u>
 <b>Fund Balances (Deficits):</b>					
Unreserved -					
Undesignated -					
General Fund	( 9,873)	-	-	-	( 9,873)
Special Revenue Funds	-	48,365	10,668	48,845	107,878
Total Equity	<u>( 9,873)</u>	<u>48,365</u>	<u>10,668</u>	<u>48,845</u>	<u>98,005</u>
 Total Liabilities and Fund Equity	 <u>\$ 23,403</u>	 <u>\$ 48,515</u>	 <u>\$ 12,668</u>	 <u>\$ 48,877</u>	 <u>\$ 133,463</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CARSONVILLE, MICHIGAN**

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
ON THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2007**

Fund Balances - total governmental funds	\$ 98,005
Amounts reported for governmental activities in the statement of net assets are different because:	
Prepaid expenses recorded in the funds on the purchase method	27,617
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	1,460,058
Accumulated depreciation	( 509,326)
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds/notes payable	<u>( 83,907)</u>
Net Assets of governmental activities	<u>\$ 992,447</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CARSONVILLE, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE TEN MONTHS ENDED DECEMBER 31, 2007

	General	Major Street	Municipal Street	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 86,249	\$ -	\$ 33,597	\$ -	\$ 119,846
Licenses and permits	1,207	-	-	-	1,207
Intergovernmental -					
Federal/State	53,969	29,222	-	9,592	92,783
Local	-	-	10,994	24,000	34,994
Charges for services	17,627	-	-	-	17,627
Interest and rent	4,738	188	141	385	5,452
Other	-	-	-	39	39
Total Revenues	<u>163,790</u>	<u>29,410</u>	<u>44,732</u>	<u>34,016</u>	<u>271,948</u>
<b>Expenditures:</b>					
Current -					
General Government	57,481	-	-	1,361	58,842
Public Safety	79,734	-	-	-	79,734
Public Works	38,379	12,702	34,074	4,079	89,234
Debt Service					
Principal	8,520	-	-	13,569	22,089
Interest	1,245	-	-	3,214	4,459
Total Expenditures	<u>185,359</u>	<u>12,702</u>	<u>34,074</u>	<u>22,223</u>	<u>254,358</u>
Revenues over (under) expenditures	<u>( 21,569)</u>	<u>16,708</u>	<u>10,658</u>	<u>11,793</u>	<u>17,590</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	-	-	32,755	32,755
Transfers out	( 1,361)	( 14,611)	-	( 16,783)	( 32,755)
Loan Proceeds	10,000	-	-	-	10,000
Total Other Financing Sources (Uses)	<u>8,639</u>	<u>( 14,611)</u>	<u>-</u>	<u>15,972</u>	<u>10,000</u>
Net Change in Fund Balances	<u>( 12,930)</u>	<u>2,097</u>	<u>10,658</u>	<u>27,765</u>	<u>27,590</u>
Fund Balances at beginning of year	<u>3,057</u>	<u>46,268</u>	<u>10</u>	<u>21,080</u>	<u>70,415</u>
Fund Balances (Deficit) at end of year	<u>\$( 9,873)</u>	<u>\$ 48,365</u>	<u>\$ 10,668</u>	<u>\$ 48,845</u>	<u>\$ 98,005</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CARSONVILLE, MICHIGAN**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2007**

Net change in fund balances - total governmental funds	\$	27,590
Change in prepaid expenses recorded in the funds on the purchase method		6,807
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		20,074
Depreciation expense	(	61,106)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(	462)
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal consumes the current financial resources to governmental funds. Neither transaction, however has any effect on net assets.		
Principal payments on long term liabilities		22,089
Decrease in accrued interest		2,476
Loan proceeds	(	<u>10,000</u> )
Change in net assets of governmental activities	\$	<u><u>7,468</u></u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CARSONVILLE, MICHIGAN

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS DECEMBER 31, 2007

	Water	Refuse	Sewage Collection System	Total
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 30,178	\$ 503	\$( 18,984)	\$ 11,697
Accounts and interest receivable	27,573	17,883	16,957	62,413
Prepaid expenses	2,971	-	2,124	5,095
Total Current Assets	<u>60,722</u>	<u>18,386</u>	<u>97</u>	<u>79,205</u>
<b>Restricted Assets:</b>				
Cash and cash equivalents	97,160	-	109,806	206,966
Accounts receivable	30,392	-	-	30,392
Special assessments receivable	-	-	1,068,834	1,068,834
Total Restricted Assets	<u>127,552</u>	<u>-</u>	<u>1,178,640</u>	<u>1,306,192</u>
<b>Capital Assets:</b>				
Property, plant and equipment	2,195,989	-	2,925,551	5,121,540
Less - accumulated depreciation	<u>( 252,231)</u>	<u>-</u>	<u>( 533,256)</u>	<u>( 785,487)</u>
Total Property, Plant and Equipment (net of accumulated depreciation)	<u>1,943,758</u>	<u>-</u>	<u>2,392,295</u>	<u>4,336,053</u>
<b>Other Assets:</b>				
Tap-in fees receivable	-	-	42,141	42,141
Total Assets	<u><u>2,132,032</u></u>	<u><u>18,386</u></u>	<u><u>3,613,173</u></u>	<u><u>5,763,591</u></u>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Accounts payable	4,189	2,754	153	7,096
Accrued expenses	657	-	295	952
Liabilities payable from restricted assets -				
Accrued interest	9,138	-	4,067	13,205
Bonds/Contracts payable (current portion)	46,500	-	20,000	66,500
Total Current Liabilities	<u>60,484</u>	<u>2,754</u>	<u>24,515</u>	<u>87,753</u>
<b>Long-Term Liabilities (less current portions):</b>				
Contracts payable - bonds (net of current portion)	1,576,032	-	-	1,576,032
Bonds payable (net of current portion)	45,500	-	1,079,011	1,124,511
Total Long-Term Liabilities	<u>1,621,532</u>	<u>-</u>	<u>1,079,011</u>	<u>2,700,543</u>
Total Liabilities	<u>1,682,016</u>	<u>2,754</u>	<u>1,103,526</u>	<u>2,788,296</u>
<b>NET ASSETS:</b>				
Investment in capital assets, net of related liabilities	322,226	-	2,392,295	2,714,521
Restricted for debt service	71,914	-	75,562	147,476
Unrestricted				
Undesignated	55,876	15,632	41,790	113,298
Total Net Assets	<u><u>\$ 450,016</u></u>	<u><u>\$ 15,632</u></u>	<u><u>\$ 2,509,647</u></u>	<u><u>\$ 2,975,295</u></u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CARSONVILLE, MICHIGAN

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE TEN MONTHS ENDED DECEMBER 31, 2007

	Water	Refuse	Sewage Collection System	Total
<b>Operating Revenues:</b>				
Charges for services	\$ 50,495	\$ 31,503	\$ 29,137	\$ 111,135
Penalties	220	-	-	220
Total Operating Revenues	<u>50,715</u>	<u>31,503</u>	<u>29,137</u>	<u>111,355</u>
<b>Operating Expenses:</b>				
Salaries and fringes	9,368	813	6,893	17,074
Administrative expenses	2,095	-	-	2,095
Supplies and postage	3,716	21	1,180	4,917
Utilities	9,245	-	1,834	11,079
Repairs and maintenance	14,487	-	2,888	17,375
Equipment rent	237	-	237	474
Contracted services	4,290	27,540	429	32,259
Professional services	3,696	2,000	3,341	9,037
Miscellaneous	3,514	-	375	3,889
Insurance	3,681	-	2,884	6,565
Depreciation	36,889	-	50,807	87,696
Total Operating Expenses	<u>91,218</u>	<u>30,374</u>	<u>70,868</u>	<u>192,460</u>
Operating Income (Loss)	<u>( 40,503)</u>	<u>1,129</u>	<u>( 41,731)</u>	<u>( 81,105)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Enterprise improvements	56,507	-	-	56,507
Interest on special assessments	-	-	41,599	41,599
Interest earned	1,349	107	1,192	2,648
Interest expenses	<u>( 30,709)</u>	<u>-</u>	<u>( 41,696)</u>	<u>( 72,405)</u>
Total Non-Operating Revenues	<u>27,147</u>	<u>107</u>	<u>1,095</u>	<u>28,349</u>
Net Income (Loss)	<u>( 13,356)</u>	<u>1,236</u>	<u>( 40,636)</u>	<u>( 52,756)</u>
Net Assets at beginning of year	<u>463,372</u>	<u>14,396</u>	<u>2,550,283</u>	<u>3,028,051</u>
Net Assets at end of year	<u>\$ 450,016</u>	<u>\$ 15,632</u>	<u>\$ 2,509,647</u>	<u>\$ 2,975,295</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CARSONVILLE, MICHIGAN

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE TEN MONTHS ENDED DECEMBER 31, 2007

	Water	Refuse	Sewage Collection System	Total
<b>Cash Flows From Operating Activities:</b>				
Cash receipts from customers	\$ 47,263	\$ 28,213	\$ 26,096	\$ 101,572
Cash payments to suppliers	( 45,090)	( 30,374)	( 14,081)	( 89,545)
Cash payments to employees	( 8,711)	-	( 6,598)	( 15,309)
Net Cash Provided (Used) by Operating Activities	<u>( 6,538)</u>	<u>( 2,161)</u>	<u>5,417</u>	<u>( 3,282)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Due to/Due from other funds	<u>-</u>	<u>-</u>	<u>440</u>	<u>440</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Enterprise improvements	53,330	-	-	53,330
Principal payments on long term debt	( 46,500)	-	( 20,000)	( 66,500)
Interest paid on long term debt	( 37,328)	-	( 50,351)	( 87,679)
Special assessment principal and interest	<u>-</u>	<u>-</u>	<u>66,937</u>	<u>66,937</u>
Net Cash Used by Capital and Related Financing Activities	<u>( 30,498)</u>	<u>-</u>	<u>( 3,414)</u>	<u>( 33,912)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest earned	<u>1,349</u>	<u>107</u>	<u>1,192</u>	<u>2,648</u>
Net Increase (Decrease) in Cash and Cash Equivalents for the year	( 35,687)	( 2,054)	3,635	( 34,106)
Cash and Cash Equivalents at Beginning of Year	<u>163,025</u>	<u>2,557</u>	<u>87,187</u>	<u>252,769</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 127,338</u></u>	<u><u>\$ 503</u></u>	<u><u>\$ 90,822</u></u>	<u><u>\$ 218,663</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss) for the year	\$( 40,503)	\$ 1,129	\$( 41,731)	\$( 81,105)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -				
Depreciation	36,889	-	50,807	87,696
Change in assets and liabilities:				
Receivable	( 3,452)	( 3,290)	( 3,041)	( 9,783)
Prepaid and deposits	( 701)	-	( 516)	( 1,217)
Accounts payable/accrued expenses	<u>1,229</u>	<u>-</u>	<u>( 102)</u>	<u>1,127</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$( 6,538)</u></u>	<u><u>\$( 2,161)</u></u>	<u><u>\$ 5,417</u></u>	<u><u>\$( 3,282)</u></u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CARSONVILLE, MICHIGAN**

**STATEMENT OF FIDUCIARY NET ASSETS  
TAX RECEIVING FIDUCIARY FUND  
DECEMBER 31, 2007**

**ASSETS:**

Cash and cash equivalents

\$ -

**LIABILITIES:**

Undistributed taxes

\$ -

The accompanying notes are an integral part of these financial statements.



**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Reporting Entity -**

**DESCRIPTION OF VILLAGE OPERATIONS** - The Village of Carsonville is one of ten (10) Villages in Sanilac County and is located within the boundaries of Sanilac and Washington Townships. The Village operates under an elected Village Council which consists of a President and six Council members. The Village provides services to its residents in many areas, including law enforcement, fire protection, water, sewer and recreation.

**FINANCIAL REPORTING ENTITY** - In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14 the reporting entity includes both the primary government and all of its "component units". The criteria established by GASB for determining the component units include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

On this basis, there are no other financial statements that should be included in the Village's financial statements.

**YEAR END** – The Village of Carsonville Council elected to change the Village's year end from February 28/29 to December 31. The change was effective for the year ended December 31, 2007. As a result, these financial statements reflect ten (10) months of activity.

**B. Government-wide and fund financial statements -**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governments financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**VILLAGE OF CARSONVILLE, MICHIGAN**

**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are levied and due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. So agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers all revenues available if they are normally collected within 60 days after the year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied on July 1, and due on September 14, are recognized as revenue in the year due. Also only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

**General Fund** – The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

**Major Street** – is a special revenue fund used to account for Act 51, money and other related revenues restricted for major street maintenance and improvements.

**Municipal Street** – is a special revenue fund used to account for taxes restricted for street maintenance and street lighting.

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

The Village reports the following major proprietary funds:

**Water Fund** – is used to account for the treatment and distribution of water to residential and commercial users.

**Refuse Fund** – is used to account for operations and activities of garbage collection and recycling for residential customer within the Village of Carsonville.

**Sewage Collection System Fund** – is used to account for sanitary sewer services provided to the residential and commercial users.

Additionally, the government reports the following fund types:

**Special Revenue Funds** - are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Fiduciary (Agency) Fund** – is used to account for property taxes collected by the Village for other funds of the Village. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. The principal operating revenues of the Enterprise Funds are charges to customers for sale, rent and services. Operating expenses for Enterprise Funds include costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**D. Assets, Liabilities and Net Assets or Equity -**

**Deposits and Investments -**

The Village maintains a common checking account for its funds for operation. Each participating fund reports its share separately.

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, savings, certificates of deposit with original maturities of three months or less from the date of acquisition.

**Receivables and Payables -**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible.

**Inventories and Prepaid Items -**

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Property Tax Calendar -**

The Village's property tax is levied each July 1 on the taxable value of property located in the Village as of the preceding December as adjusted by the March and July Board of Reviews. Taxes are collected through September 14.

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Capital Assets -**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Village has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to February 29, 2004.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives.

<u>Primary Government -</u>	<u>Years</u>
Building/Improvements	5-50
Utility Systems	40-50
Road Systems/Other	
Infrastructure	20
Equipment	5-20

**Long-Term Obligations -**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Fund Equity -**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Estimates -**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**Budgetary Compliance –**

The Treasurer of the Village and the Village Council Finance Committee prepare from data submitted from department heads a proposed operating budget for the fiscal year commencing the following December 1. The operating budget includes proposed expenditures and resources to finance them.

Prior to December 31, the proposed budget is presented to the Village Council. The Council holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Council Resolution. After the budget is adopted, all amendments must be approved by the Village Council.

Budgets are legally adopted at the activity level for the General Fund and functional level for the Special Revenue Funds; however, for control purposes all the budgets are maintained at the account level. All unexpended appropriations lapse at fiscal year end.

Budgeted amounts are reported as originally adopted, or as amended, by the Village Council during the year. During the ten months ended December 31, 2007, there were no amendments made to the original appropriations.

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

During the ten months ended December 31, 2007, the Village incurred expenditures in the General and Special Revenue Funds, which were in excess of the amounts appropriated as follows:

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY: - (cont'd):**

<u>Function/Activity</u>	<u>Total Appropriations</u>	<u>Amount Expended</u>	<u>Budget Variance</u>
<u>General Fund</u> –			
Legislative –			
Village Council	\$ 5,638	\$ 8,910	\$ 3,272
General Government –			
Clerk and Treasurer	16,272	16,397	125
Public Safety –			
Police Protection	32,087	43,167	11,080
Public Works –			
Department of Public Works	29,108	38,379	9,271
Debt Service –			
Principal	8,000	8,520	520
Interest	1,170	1,245	75
Transfers out	-	1,361	1,361
<u>Special Revenue Funds</u> –			
Major Street Fund –			
Transfers out	-	14,611	14,611
Municipal Street Fund –			
Public Works	29,588	34,074	4,486

**Fund Balance Compliance –**

As of December 31, 2007, the General Fund had a deficit unrestricted fund balance of \$9,873.

**NOTE 3 - DEPOSITS AND INVESTMENTS:**

In accordance with Act 20 PA 1943 as amended by Act 196 PA 1997, the Village is authorized after Board resolution to invest surplus funds in the following types of investments:

- a) In bonds, securities and other direct obligations of the United States or an agency or instrumentality of the United States.
- b) In certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.
- c) In commercial paper rated at the time of purchase within the two (2) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d) In the United States government or federal agency obligations repurchase agreements.
- e) In bankers acceptances of United States banks.

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):**

- f) In obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g) In mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h) In investment pools organized under the surplus funds investment act, 367 of 1982.
- i) In investment pools organized under the local government investment pool act, 121 of 1985.

**Custodial Credit Risk - Deposits** - is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. Michigan Public Acts authorize the units of local government in Michigan to deposit in the accounts of federally insured banks, insured credit unions, and savings and loan associations. Deposits of the Village are at federally insured banks in the State of Michigan in the name of the Village. The Village's investment policy does not address custodial credit risk.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of December 31, 2007, the carrying amount of the Village's deposits is \$302,665, and the bank balance is \$305,713, of which \$118,522 is covered by Federal Depository Insurance, and the remaining balance is uninsured and uncollateralized.

Included in the Balance Sheet account cash and cash equivalents at December 31, 2007, is \$50 in petty cash.

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result the Village evaluates each financial institution and assesses the level of risk. The Village uses only those financial institutions with an acceptable estimated risk level as depositories.

**NOTE 4 - TAXES:**

Assessed values are established annually, taxable by the respective Townships and are equalized by the State at an estimated percentage of the current market value. Real and personal property for the Village of Carsonville for 2007 had a Taxable Equalized value of \$8,191,516. The millage rates levied by the Village were 10.2506 for the General Fund and 4.1001 for the Municipal Street Fund.

The County of Sanilac has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year.



**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE BALANCES:**

The composition of interfund balances as of December 31, 2007:

**Due To/From Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Fire Capital Fund	General Fund	<u>\$ 20,000</u>

**Transfers From/To Other Funds**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Equipment Debt Fund	Fire Capital Fund	\$ 16,783
Local Street Fund	Major Street Fund	14,611
Municipal Services Building	General Fund	<u>1,361</u>
Total Transfers		<u>\$ 32,755</u>

**NOTE 6 - CAPITAL ASSETS:**

**Primary Government**

Capital asset activity of the primary government for the ten months ended December 31, 2007 was as follows:

	<u>Balance March 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2007</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	<u>\$ 96,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,875</u>
Capital assets, being depreciated:				
Buildings and improvements	428,079	-	-	428,079
Shared street improvements	316,220	-	-	316,220
Machinery and equipment	<u>598,810</u>	<u>20,074</u>	-	<u>618,884</u>
Total capital assets, being depreciated	<u>1,343,109</u>	<u>20,074</u>	-	<u>1,363,183</u>
Less accumulated depreciation for:				
Buildings and improvements	142,758	9,683	-	152,441
Shared street improvements	25,956	13,138	-	39,094
Machinery and equipment	<u>279,506</u>	<u>38,285</u>	-	<u>317,791</u>
Total accumulated depreciation	<u>448,220</u>	<u>61,106</u>	-	<u>509,326</u>
Total capital assets being depreciated, net	<u>894,889</u>	<u>( 41,032)</u>	-	<u>853,857</u>
Governmental activities capital assets, net	<u>\$ 991,764</u>	<u>\$ ( 41,032)</u>	<u>\$ -</u>	<u>\$ 950,732</u>

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 6 - FIXED ASSETS – (cont'd):**

	Balance March 1, 2007	Additions	Deletions/ Adjustments	Balance December 31, 2007
<b>Business Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 9,600	\$ -	\$ -	\$ 9,600
Capital assets, being depreciated:				
Buildings and improvements	1,500	-	-	1,500
Machinery and equipment	37,224	2,100	-	39,324
Water system	2,186,421	-	-	2,186,421
Sewer system	2,884,695	-	-	2,884,695
Total capital assets being depreciated	<u>5,109,840</u>	<u>2,100</u>	<u>-</u>	<u>5,111,940</u>
Less accumulated depreciation for:				
Buildings and improvements	1,080	25	-	1,105
Machinery and equipment	28,228	3,406	-	31,634
Water systems	211,104	36,294	-	247,398
Sewer systems	457,379	47,971	-	505,350
Total accumulated depreciation	<u>697,791</u>	<u>87,696</u>	<u>-</u>	<u>785,487</u>
Total capital assets being depreciated, net	<u>4,412,049</u>	<u>( 85,596)</u>	<u>-</u>	<u>4,326,453</u>
Business activities capital assets, net	<u>\$ 4,421,649</u>	<u>\$ ( 85,596)</u>	<u>\$ -</u>	<u>\$ 4,336,053</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 9,552
Public Safety	33,074
Public Works	<u>18,480</u>
Total depreciation expense-governmental activities	<u>\$ 61,106</u>
Business-type activities:	
Sewer	\$ 50,807
Water	<u>36,889</u>
Total depreciation expense-business-type activities	<u>\$ 87,696</u>

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 7 - LONG-TERM DEBT:**

The following is a summary of the changes in long-term debt of the Village for the ten months ended December 31, 2007:

	Balance March 1, 2007	Additions	Reductions	Balance December 31, 2007	Due Within One Year
<u>Governmental Activities:</u>					
Governmental Funds -					
GO Capital Improvement Bonds	\$ 21,500	\$ -	\$ 8,000	\$ 13,500	\$ 9,000
Fire truck loan	74,496	-	13,569	60,927	14,181
Dump truck loan	-	10,000	520	9,480	3,570
Total Governmental Funds	<u>95,996</u>	<u>10,000</u>	<u>22,089</u>	<u>83,907</u>	<u>26,751</u>
<u>Business-type Activities:</u>					
1998 Sanitary sewerage system bond	1,119,011	-	20,000	1,099,011	20,000
2005 G.O. Capital Improvement Bonds	58,500	-	6,500	52,000	6,500
Contracts Payable -					
2005 Water drinking system bond	641,032	-	15,000	626,032	15,000
2004 Water drinking system bond	<u>1,015,000</u>	-	<u>25,000</u>	<u>990,000</u>	<u>25,000</u>
Total Business-Type Activities	<u>2,833,543</u>	<u>-</u>	<u>66,500</u>	<u>2,767,043</u>	<u>66,500</u>
	<u>\$ 2,929,539</u>	<u>\$ 10,000</u>	<u>\$ 88,589</u>	<u>\$ 2,850,950</u>	<u>\$ 93,251</u>

Significant details regarding outstanding long-term debt are presented as follows:

Governmental Activities –

The Village issued \$39,500 in General Obligation Capital Improvement Bonds for the purpose of improvements to the Village Hall. The bonds dated February 26, 2004, are due in semi-annual installments of \$4,500 through March 1, 2009, with 6.00% interest rate. \$ 13,500

The Village signed a \$100,000 Promissory note for the purchase of a fire truck dated September 1, 2004 payable in semi-annual installments increasing from \$7,018 to \$8,493 through September 1, 2011, with a 4.40% interest rate. 60,927

The Village signed a \$10,000 Promissory note for the purchase of a dump truck dated October 19, 2007 payable in monthly installments of \$298 through October 20, 2010 with a 4.50% fixed interest rate. 9,480

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 7 - LONG TERM DEBT – (cont'd):**

Business –Type Activities -

\$1,498,000 Rural Development Authority Sanitary Sewerage System Bonds, dated June 18, 1998, due in annual installments increasing from \$17,000 to \$75,000 through June 1, 2038; with interest of 4.5% payable semi-annually. \$ 1,099,011

\$1,065,000 Drinking Water Revolving loan, dated June 24, 2004, due in annual payments increasing from \$25,000 to \$50,000 through April 1, 2034; with interest of 2.125% payable semi-annually. 990,000

\$690,000 Drinking Water Revolving loan, dated September 22, 2005, due in annual installments increasing from \$15,000 to \$30,000 through April 1, 2036; with interest of 2.125% payable semi-annually. 626,032

\$65,000 G.O. Capital Improvement Bonds for water system improvements, due in semi-annual installments of \$3,250 through October 1, 2015; with interest of 4.5% payable semi-annually. 52,000

The annual requirements to amortize debt outstanding at December 31, 2007:

Governmental Activities:

<u>Year</u>	<u>2007 Promissory Note Dump Truck</u>		<u>G.O. Capital Improvement Bonds</u>		<u>2004 Promissory Note Fire Truck</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 3,210	\$ 361	\$ 9,000	\$ 675	\$ 14,181	\$ 2,602
2009	3,358	213	4,500	135	14,835	1,947
2010	2,912	63	-	-	15,512	1,270
2011	-	-	-	-	16,399	563
2012	-	-	-	-	-	-
	<u>\$ 9,480</u>	<u>\$ 637</u>	<u>\$ 13,500</u>	<u>\$ 810</u>	<u>\$ 60,927</u>	<u>\$ 6,382</u>

**VILLAGE OF CARSONVILLE, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 7 - LONG TERM DEBT – (cont'd):**

Business-Type Activities:

<u>Year</u>	<u>RDA Sewer Bonds</u>		<u>DWR Contracts Payable</u>		<u>G.O. Capital Improvement Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 20,000	\$ 49,050	\$ 40,000	\$ 33,915	\$ 6,500	\$ 2,267
2009	21,000	48,128	45,000	33,011	6,500	1,974
2010	22,000	47,161	45,000	32,256	6,500	1,682
2011	23,000	46,148	45,000	31,100	6,500	1,389
2012	24,000	45,090	45,000	30,146	6,500	1,097
2013-2017	136,000	207,993	255,000	140,727	19,500	1,535
2018-2022	169,000	173,815	275,000	112,668	-	-
2023-2027	211,000	131,200	315,000	82,187	-	-
2028-2032	263,000	78,100	345,000	47,751	-	-
2033-2036	<u>210,011</u>	<u>16,539</u>	<u>231,032</u>	<u>7,036</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,099,011</u>	<u>\$ 843,224</u>	<u>\$ 1,616,032</u>	<u>\$ 550,797</u>	<u>\$ 52,000</u>	<u>\$ 9,944</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# VILLAGE OF CARSONVILLE, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

### GENERAL FUND FOR THE TEN MONTHS ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 76,673	\$ 76,673	\$ 86,249	\$ 9,576
Licenses and permits	167	167	1,207	1,040
Intergovernmental -				
Federal and State	53,123	53,123	53,969	846
Charges for services	34,366	34,366	17,627	( 16,739)
Interest and rent	3,135	3,135	4,738	1,603
Other	1,666	1,666	-	( 1,666)
	<u>169,130</u>	<u>169,130</u>	<u>163,790</u>	<u>( 5,340)</u>
<b>Expenditures:</b>				
Legislative -				
Village Council	<u>5,638</u>	<u>5,638</u>	<u>8,910</u>	<u>( 3,272)</u>
General Government -				
Clerk and Treasurer	16,272	16,272	16,397	( 125)
Village Hall	<u>36,530</u>	<u>36,530</u>	<u>32,174</u>	<u>4,356</u>
	<u>52,802</u>	<u>52,802</u>	<u>48,571</u>	<u>4,231</u>
Public Safety -				
Police Protection	32,087	32,087	43,167	( 11,080)
Fire Department	<u>40,016</u>	<u>40,016</u>	<u>36,567</u>	<u>3,449</u>
	<u>72,103</u>	<u>72,103</u>	<u>79,734</u>	<u>( 7,631)</u>
Public Works -				
Department of Public Works	29,108	29,108	38,379	( 9,271)
Street Lights	<u>309</u>	<u>309</u>	<u>-</u>	<u>309</u>
	<u>29,417</u>	<u>29,417</u>	<u>38,379</u>	<u>( 8,962)</u>
Debt Service -				
Principal	8,000	8,000	8,520	( 520)
Interest	<u>1,170</u>	<u>1,170</u>	<u>1,245</u>	<u>( 75)</u>
	<u>9,170</u>	<u>9,170</u>	<u>9,765</u>	<u>( 595)</u>
Total Expenditures	<u>169,130</u>	<u>169,130</u>	<u>185,359</u>	<u>( 16,229)</u>
Revenues under expenditures	<u>-</u>	<u>-</u>	<u>( 21,569)</u>	<u>( 21,569)</u>
<b>Other Financing Sources (Uses):</b>				
Loan proceeds	-	-	10,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>( 1,361)</u>	<u>( 1,361)</u>
	<u>-</u>	<u>-</u>	<u>8,639</u>	<u>( 1,361)</u>
Net Change in Fund Balance	-	-	( 12,930)	( 22,930)
Fund Balance at beginning of year	<u>3,057</u>	<u>3,057</u>	<u>3,057</u>	<u>-</u>
Fund Balance (Deficit) at end of year	<u>\$ 3,057</u>	<u>\$ 3,057</u>	<u>\$ ( 9,873)</u>	<u>\$ ( 22,930)</u>

# VILLAGE OF CARSONVILLE, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL MAJOR STREET FUND FOR THE TEN MONTHS ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental -				
Federal/State	\$ 30,662	\$ 30,662	\$ 29,222	\$ ( 1,440)
Interest	345	345	188	( 157)
	<u>31,007</u>	<u>31,007</u>	<u>29,410</u>	<u>( 1,597)</u>
<b>Expenditures:</b>				
Public Works -				
Administration				
Salaries and wages	3,546	3,546	1,234	2,312
Professional fees	208	208	-	208
Contingency	3,174	3,174	-	3,174
	<u>6,928</u>	<u>6,928</u>	<u>1,234</u>	<u>5,694</u>
Maintenance				
Salaries and wages	4,166	4,166	1,773	2,393
Supplies	167	167	487	( 320)
Insurance and bonds	1,250	1,250	1,200	50
Contracted service	14,833	14,833	7,393	7,440
Equipment rent	833	833	237	596
	<u>21,249</u>	<u>21,249</u>	<u>11,090</u>	<u>10,159</u>
Winter Maintenance				
Salaries and wages	1,666	1,666	378	1,288
Supplies	425	425	-	425
Contracted service	417	417	-	417
Equipment rent	333	333	-	333
	<u>2,841</u>	<u>2,841</u>	<u>378</u>	<u>2,463</u>
Total Expenditures	<u>31,018</u>	<u>31,018</u>	<u>12,702</u>	<u>18,316</u>
Revenues over (under) expenditures	( 11)	( 11)	16,708	16,719
<b>Other Financing Uses:</b>				
Transfers out -				
Local Street Fund	<u>-</u>	<u>-</u>	<u>( 14,611)</u>	<u>( 14,611)</u>
Net Change in Fund Balance	( 11)	( 11)	2,097	2,108
Fund Balance at beginning of year	<u>46,268</u>	<u>46,268</u>	<u>46,268</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 46,257</u>	<u>\$ 46,257</u>	<u>\$ 48,365</u>	<u>\$ 2,108</u>



# VILLAGE OF CARSONVILLE, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL MUNICIPAL STREET FUND FOR THE TEN MONTHS ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 24,396	\$ 24,396	\$ 33,597	\$ 9,201
Intergovernmental -				
Local	11,621	11,621	10,994	( 627)
Interest	583	583	141	( 442)
	<u>36,600</u>	<u>36,600</u>	<u>44,732</u>	<u>8,132</u>
<b>Expenditures:</b>				
Public Works -				
Administration	2,416	2,416	1,141	1,275
Maintenance	27,172	27,172	32,933	( 5,761)
	<u>29,588</u>	<u>29,588</u>	<u>34,074</u>	<u>( 4,486)</u>
Revenues over expenditures	7,012	7,012	10,658	3,646
Fund Balance at beginning of year	<u>10</u>	<u>10</u>	<u>10</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 7,022</u>	<u>\$ 7,022</u>	<u>\$ 10,668</u>	<u>\$ 3,646</u>

## **SUPPLEMENTARY INFORMATION**

# VILLAGE OF CARSONVILLE, MICHIGAN

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET DECEMBER 31, 2007

	Special Revenue Funds				
	Local Street	Fire Capital	DPW Capital	Police Capital	Municipal Service Building
<b>ASSETS</b>					
Cash and cash equivalents	\$ 19,243	\$ 7,824	\$ 44	\$ 2	\$ -
Due from other governmental units - Federal/State	1,764	-	-	-	-
Due from other funds	-	20,000	-	-	-
Total Assets	<u>\$ 21,007</u>	<u>\$ 27,824</u>	<u>\$ 44</u>	<u>\$ 2</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accrued liabilities	\$ 32	\$ -	\$ -	\$ -	\$ -
<b>Fund Balance:</b>					
Unreserved - Undesignated	<u>20,975</u>	<u>27,824</u>	<u>44</u>	<u>2</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 21,007</u>	<u>\$ 27,824</u>	<u>\$ 44</u>	<u>\$ 2</u>	<u>\$ -</u>

Debt Service Fund	
Equipment Note	Total
\$ -	\$ 27,113
-	1,764
-	20,000
<u>\$ -</u>	<u>\$ 48,877</u>

\$ -	\$ 32
-	48,845
<u>\$ -</u>	<u>\$ 48,877</u>

# VILLAGE OF CARSONVILLE, MICHIGAN

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE TEN MONTHS ENDED DECEMBER 31, 2007

	Special Revenue Funds				
	Local Street	Fire Capital	DPW Capital	Police Capital	Municipal Service Building
<b>Revenues:</b>					
Intergovernmental-					
State	\$ 9,592	\$ -	\$ -	\$ -	\$ -
Local	-	24,000	-	-	-
Interest	98	286	1	-	-
Other	-	39	-	-	-
Total Revenues	<u>9,690</u>	<u>24,325</u>	<u>1</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>					
Current -					
General Government	-	-	-	-	1,361
Public Works	4,079	-	-	-	-
Debt Service -					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>4,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,361</u>
Revenues over (under) expenditures	5,611	24,325	1	-	( 1,361)
<b>Other Financing Sources (Uses):</b>					
Transfers in	14,611	-	-	-	1,361
Transfers out	-	( 16,783)	-	-	-
Total Other Financing Sources (Uses)	<u>14,611</u>	<u>( 16,783)</u>	<u>-</u>	<u>-</u>	<u>1,361</u>
Net Change in Fund Balance	20,222	7,542	1	-	-
Fund Balances at beginning of year	<u>753</u>	<u>20,282</u>	<u>43</u>	<u>2</u>	<u>-</u>
Fund Balances at end of year	<u>\$ 20,975</u>	<u>\$ 27,824</u>	<u>\$ 44</u>	<u>\$ 2</u>	<u>\$ -</u>

Debt Service Fund	
Equipment Note	Total
\$ -	\$ 9,592
-	24,000
-	385
-	39
-	34,016
-	1,361
-	4,079
13,569	13,569
3,214	3,214
16,783	22,223
( 16,783)	11,793
16,783	32,755
-	( 16,783)
16,783	15,972
-	27,765
-	21,080
\$ -	\$ 48,845

# VILLAGE OF CARSONVILLE, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE TEN MONTHS ENDED DECEMBER 31, 2007

	Final Budget	Actual	Variance Positive (Negative)
<b>LOCAL STREET FUND</b>			
<b>Revenues:</b>			
Intergovernmental -			
State	\$ 9,997	\$ 9,592	\$( 405)
Interest	208	98	( 110)
Total Revenues	<u>10,205</u>	<u>9,690</u>	<u>( 515)</u>
<b>Expenditures:</b>			
Public Works -			
Administration -			
Salaries and wages	1,423	594	829
Professional fees	208	-	208
Contingency	1,557	-	1,557
	<u>3,188</u>	<u>594</u>	<u>2,594</u>
Maintenance -			
Salaries and wages	3,749	2,116	1,633
Supplies	833	737	96
Insurance and bonds	1,250	365	885
Contracted service	5,831	-	5,831
Equipment rent	1,148	237	911
	<u>12,811</u>	<u>3,455</u>	<u>9,356</u>
Winter Maintenance -			
Salaries and wages	1,250	30	1,220
Supplies	417	-	417
Equipment rent	36	-	36
Contracted services	833	-	833
	<u>2,536</u>	<u>30</u>	<u>2,506</u>
Total Expenditures	<u>18,535</u>	<u>4,079</u>	<u>14,456</u>
Revenues over (under) expenditures	( 8,330)	5,611	13,941
<b>Other Financing Sources:</b>			
Transfer in -	<u>-</u>	<u>14,611</u>	<u>14,611</u>
Net Change in Fund Balance	( 8,330)	20,222	28,552
Fund Balance at beginning of year	<u>753</u>	<u>753</u>	<u>-</u>
Fund Balance (Deficit) at end of year	<u><u>\$( 7,577)</u></u>	<u><u>\$ 20,975</u></u>	<u><u>\$ 28,552</u></u>

Continued

# VILLAGE OF CARSONVILLE, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE TEN MONTHS ENDED DECEMBER 31, 2007

	Final Budget	Actual	Variance Positive (Negative)
<b>FIRE CAPITAL</b>			
<b>Revenues:</b>			
Intergovernmental - Local	\$ 24,300	\$ 24,000	\$( 300)
Interest	300	286	( 14)
Other	-	39	39
	<u>24,600</u>	<u>24,325</u>	<u>( 275)</u>
<b>Expenditures:</b>			
Public Safety	<u>4,406</u>	<u>-</u>	<u>4,406</u>
Revenues over expenditures	20,194	24,325	4,131
<b>Other Financing Uses:</b>			
Transfers out	<u>( 16,800)</u>	<u>( 16,783)</u>	<u>17</u>
Net Change in Fund Balance	3,394	7,542	4,148
Fund Balance at beginning of year	<u>20,282</u>	<u>20,282</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 23,676</u></u>	<u><u>\$ 27,824</u></u>	<u><u>\$ 4,148</u></u>

### DPW CAPITAL

<b>Revenues:</b>			
Interest	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>
Net Change in Fund Balance	-	1	1
Fund Balance at beginning of year	<u>43</u>	<u>43</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 43</u></u>	<u><u>\$ 44</u></u>	<u><u>\$ 1</u></u>

Continued



# VILLAGE OF CARSONVILLE, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE TEN MONTHS ENDED DECEMBER 31, 2007

	Final Budget	Actual	Variance Positive (Negative)
<b>POLICE CAPITAL</b>			
Net Change in Fund Balance	\$ -	\$ -	\$ -
Fund Balance at beginning of year	<u>2</u>	<u>2</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 2</u></u>	<u><u>\$ 2</u></u>	<u><u>\$ -</u></u>

### MUNICIPAL SERVICE BUILDING

<b>Revenues:</b>			
Rental collections	\$ 4,145	\$ -	\$ ( 4,145)
Interest	<u>53</u>	<u>-</u>	<u>( 53)</u>
	<u>4,198</u>	<u>-</u>	<u>( 4,198)</u>
<b>Expenditures:</b>			
General Government	<u>2,610</u>	<u>1,361</u>	<u>1,249</u>
Revenue over (under) expenditures	1,588	( 1,361)	( 2,949)
<b>Other Financing Sources:</b>			
Transfer In	<u>-</u>	<u>1,361</u>	<u>1,361</u>
Net Change in Fund Balance	1,588	-	( 1,588)
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 1,588</u></u>	<u><u>\$ -</u></u>	<u><u>\$ ( 1,588)</u></u>

**VILLAGE OF CARSONVILLE, MICHIGAN**

**BALANCE SHEET  
TAX RECEIVING AGENCY FUND  
DECEMBER 31, 2007**

<b>ASSETS</b>	
Cash	\$ <u><u>-</u></u>
<b>LIABILITIES</b>	
Undistributed taxes	\$ <u><u>-</u></u>

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE TEN MONTHS ENDED DECEMBER 31, 2007**

	Balance March 1, 2007	Additions	Reductions	Balance December 31, 2007
<b>TAX COLLECTION FUND</b>				
<b>Assets:</b>				
Cash and Cash equivalents	\$ <u><u>8,121</u></u>	\$ <u><u>185,693</u></u>	\$ <u><u>193,814</u></u>	\$ <u><u>-</u></u>
<b>Liabilities:</b>				
Undistributed taxes	\$ <u><u>8,121</u></u>	\$ <u><u>185,693</u></u>	\$ <u><u>193,814</u></u>	\$ <u><u>-</u></u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the President and Members  
of the Village Council  
Village of Carsonville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carsonville, Michigan as of and for the ten months ended December 31, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Village of Carsonville, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies described below to be significant deficiencies in internal control over financial reporting:

**Bank Reconciliation of Common Cash**

The Village of Carsonville maintains a common checking account that represents the cash balance of several funds. This checking account was reconciled to the Treasurer's control sheet on a timely basis but was not reconciled to the general ledger for the entire year.

As a result, errors were detected in the general ledger balances and correcting entries were proposed. Timely reconciliation of the cash accounts is one of the most important aspects of the internal control environment necessary to detect errors in the financial reports and to safeguard the assets of the Village.

We recommend that the common checking account be reconciled to the general ledger cash balances on a monthly basis.

### **Proposed Audit Adjusting Entries**

Several material adjusting entries to the financial records of the Village were proposed by our firm. These entries were reviewed, accepted and recorded by the Village.

It is our belief that several of the entries could have been made by the Village. However, we believe that there were circumstances requiring journal entries that were not detected during the year that are material to the financial statements.

As a result of both conditions described in the previous paragraph, the entries were not recorded, thus the financial information was not reported correctly in a timely manner, putting the Village at risk that errors could occur that would not be prevented or detected.

We recommend that a procedure be implemented to assure that all journal entries are recorded on a timely basis.

### **Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles.**

Village employees routinely prepare internal financial information to assess operations and the financial position of the Village on an ongoing basis. Although the internal financial information is sufficient to operate the Village, it is not presented in accordance with generally accepted accounting principles. The Township contracts with us, the auditors, to prepare adjustments to convert the general ledger from the cash basis to the modified accrual basis, to record the information necessary for the GASB 34 adjustments, and to draft the financial statements, including all necessary notes, in accordance with generally accepted accounting principles.

The Village has individuals on staff to review that the annual financial report is accurate and that the financial information reflects the recording of proposed journal entries, however, the staff may not be able to determine that the annual financial report is a complete presentation in accordance with Generally Accepted Accounting Principles.

As a result, reporting errors or omission could occur in the preparation of the Annual Financial Report that would be a departure from GAAP and the Village would not be in a position to detect the errors or omissions.

We recommend that the Village continue to review the annual financial statements and to continue developing an understanding of reporting requirements and note disclosure.

### **Control over Utility Billing and Receivables**

At the present time, the same individual mails out bills, collects cash receipts, and credits customer accounts. We noted during the audit a billing register is being reviewed prior to utility bills being printed but adjustments made to customer accounts during the year are not being reviewed.

In order to maintain an internal control system for utility billing, it is important to have a division of duties between the billing, collecting and recording processes.

Because of the limited number of personnel available, we understand the difficulty of separating the accounting functions, however, we recommend that the billing and receipting functions be separated

if possible and that adjustments to the receivable accounts be approved by someone outside of the receipting function. We further recommend that the utility billing reports be reconciled to the general ledger accounts monthly.

### **Controls over Special Assessments**

At the present time the Village has reported in the general ledger a special assessments receivable account balance for the assessments. This is an excellent control procedure for the total of the individual assessment amounts outstanding.

However, during the audit, it was difficult to determine the individual balances that supported the special assessment receivable per the general ledger. The reasons for the difficulty were the individual ledger cards were not always current due to irregular payments and changes in property owners.

The present clerk has been working on updating the individual cards as accurate information comes available.

We recommend that the updating of the information process be continued so that the individual assessments may be totaled and agreed to the general ledger.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Carsonville's internal control.

Our consideration of the internal control over financial reporting was for the limited purposed described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the first three significant deficiencies described above are material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Carsonville, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Village of Carsonville, Michigan in a separate letter dated June 26, 2008.

This report is intended solely for the information and use of management, and the Village Council of Carsonville, Michigan and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

June 26, 2008

June 26, 2008

To the President and Members  
Of the Village Council  
Village of Carsonville  
Carsonville, Michigan

We have audited the financial statement of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Carsonville for the ten months ended December 31, 2007, and have issued our report thereon dated June 26, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards***

As stated in our engagement letter dated December 3, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Village of Carsonville. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village of Carsonville's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Planned Scope and Timing of Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our Preliminary Audit Communication Letter, and discussions with the Village Council and administration.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Carsonville are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the ten months ending December 31, 2007. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

## **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the estimate for depreciation. Management estimates for these items are based on historical data and estimated lives. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

## **Adjustments Governmental Fund Financial Statements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material audit adjustments were corrected by management (we also proposed and management corrected a number of immaterial misstatements):

- Recorded tax revenues in proper funds
- Reclassified debt payments to correct funds
- Recorded new loan and purchase of equipment

## **Assistance with GASB 34 Presentation**

As a result of our assistance with the GASB 34 presentation, we proposed several entries to the December 31, 2007 account balances to reflect the difference between the Governmental Fund and the Government-wide financial statements.

## **Statement on Auditing Standards No. 112**

Statement on Auditing Standards No. 112 "Communicating Internal Control Related Matters Identified in an Audit" implementation was first effective for your year end February 28, 2007. Under SAS 112 internal control over financial reporting includes the annual audited financial statements including the notes being presented in accordance with Generally Accepted Accounting Principles.

If a governmental organization relies on our firm to present the financial statements in accordance with generally accepted accounting principles, we are required to report that there is a significant deficiency in internal control. We, again, fulfilled this responsibility in your internal control letter for the ten months ended December 31, 2007.

A substantial portion of our clients are receiving this comment, and per discussion with other CPA firms, a substantial number of their clients are also receiving the comment. This is the result of it being the practice in the past to rely on the auditor since the annual financial report is prepared once a year and we stay current on generally accepted accounting principles. We recommended to management that the Village evaluate the cost versus the benefit of expanding internal control over financial reporting to include presentation under GAAP.

## **Other Audit Internal Control Communication**

In addition to the Report on Internal Control we noted a few other items that although are not considered significant deficiencies, could improve controls, the operational efficiency and or compliance with laws and regulations. These items are included in the attached Schedule A.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated June 26, 2008.

### **Other**

We generally discuss a variety of matter, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Members of the Village Council and management of the Village of Carsonville and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script, reading "Stewart, Beauvoir Whipple".



## **Attachment A**

The following is a list of items that we discussed with administration that are not considered significant deficiencies, however, are items that could improve controls, the operational efficiency of the accounting department and or compliance with laws and regulations:

### **Controls over Journal Entries**

At the present time, journal entries are prepared by one individual and are not required to be formally approved by a second individual and are not numbered and maintained for control purposes.

Even though limited journal entries are prepared, not having a procedure requiring that journal entries be formally approved and the sequence controlled allows for the possibility of inaccurate financial reporting.

As with the division of accounting functions duties between individuals in a small office environment, it is difficult to have someone available with adequate accounting knowledge to review journal entries prepared.

We recommend that journal entries be approved by an individual other than the preparer and supporting documentation be attached to all entries.

### **Review of financial reports by Council**

At the present time, the Council members are not reviewing monthly general ledger reports by fund. This is an excellent procedure for controls over financial reporting and to verifying the accuracy of the information. These general ledger reports by fund can also be used by the Village as a tool for decision making.

Not having a procedure requiring that the Council review the general ledger activity monthly allows for the possibility of inaccurate financial records.

We recommend that Council member review monthly general ledger reports by fund to ensure that all financial records are accurate.

### **Controls over the Budgeting Process.**

As noted in the audited financial statements, some of the expenditures of the Village exceed the amount appropriated.

Michigan Public Act 621 of 1978 Sec. 18, as amended, provides that a Village shall adopt formal budgets for the General and Special Revenue Funds and shall not incur expenditures in excess of the amounts appropriated.

The Village has established procedures to detect such violations; however, there were instances where overages occurred.

Budget amendments should be made to cover any expenditures in excess of the amounts appropriated with all budget amendments approved by Village Council prior to the end of the fiscal year.

### **Controls over Allocation of Administrative Expenditures and Equipment Rental.**

When preparing an allocation plan for central service costs, two specific items have to be identified – the cost that is central service in nature and the basis to be used to allocate the central service cost.

We noted that the Village allocates administrative expenditures; however, we believe that the method of allocation should be reviewed to determine that all the administrative costs that are central service in nature are included in the plan and the basis for allocation is readily available and verifiable.

If this cost allocation criteria is followed, the Village will have support that the costs charged to the various funds are reasonable and equitable.

During the audit we also noted that the Village did not charge equipment rental to the various funds during the ten months ended December 31, 2007. The costs for the various funds to utilize the equipment purchased within the general fund, may be charged out at the Schedule C rates to the funds utilizing the equipment to reimburse the general fund for the equipment costs.

We also noted that the administrative costs charged to the major street fund exceeded the amount allowed according to the State Act 51 (10% of the Act 51 dollars received). We recommend that the administrative costs charged to the major street fund comply with the requirements of the Act 51 report.

**All checks written should have the required dual signatures.**

During the audit it was noted that certain checks were released without the two signatures that are required by internal policy.

Requiring two signatures for disbursements deters errors in checks written and the risk of fraudulent checks. While the checks written appear to be legitimate expenditures of the Village, and were approved by the Village Council, the Village's control of two signatures should be followed.

**Back-up of the computer system data should be maintained off-site.**

Based on discussions with management it is our understanding that the Village does not back-up the data files of the various computer systems. In the event of a computer hardware failing or a natural disaster, the data contained on the Village computers for the utility billing and payroll programs would be lost

To protect against a possible loss of information, we recommend that the Village regularly back-up files and maintain one set of backups off-site.

**Municipal owned vehicles and mileage reimbursement.**

Per discussions with Village employees, there is no formal written policy for personal use of municipal owned vehicles.

It is also our understanding that in 2008 a new mileage policy has been implemented for employees to use the Village gas card to fill up their personal vehicle before driving for Village business. While we understand the ease of supplying gas cards to employees, this type of reimbursement does not require documentation of miles actually driven for Village business and creates the opportunity for discrepancies.

It is important that the Village document a formal policy for vehicle usage. It is also important for the Village to determine a mileage reimbursement policy that includes proper supporting documentation for the expenditures.

**Formal policies regarding payroll.**

As noted during the audit, Village employees do not have formal contracts in their personnel files which include approved pay rates, approved number of hours, and clear job descriptions.

Pay rates should be formally approved by the Village Council, or Finance Committee, and given to the Clerk to place in the employee's personnel file to avoid any confusion regarding pay rates for employees. Not having clear job descriptions creates confusion regarding responsibilities and may lead to incorrect financial information. We recommend the Village have formal written contracts in all employee personnel files, which include the approved pay rates and job descriptions for each employee.

During the audit we also noted gift cards being given to employees for "year-end bonuses". While we understand the Village's desire to show appreciation for loyal employees, the Michigan Department of Treasury prohibits "Presents to officials and employees or retirement recognition events" in its list of unlawful expenditures. We recommend the Village review its practice of supplying gift cards to employees.

#### **Delinquent utility accounts.**

It is our understanding that utility billing accounts that are delinquent are not always turned over to the County to be placed on the individual's tax roll. Some delinquent accounts are set up on a payment plan with the Village instead of being turned over to the tax roll.

The Village does not seem to have a clear policy detailing when accounts are turned over to the County for collection on the tax roll, and when delinquent accounts may be set up as a payment plan with the customer directly. Furthermore, it is our understanding that any delinquent utility accounts that are added to the tax roll are settled by the County Treasurer, and the funds are therefore reimbursed to the Village.

Not turning the delinquent accounts over to the County Treasurer may result in the village not collecting the delinquent amounts.

We recommend that the Village turn all delinquent utility accounts over to the County or at least establish a clear policy for the handling of delinquent water, sewer, and refuse bills.

#### **Funds of the Village should be reviewed.**

It is our understanding that the Village will be implementing and maintaining a computerized general ledger package in-house beginning in 2008. During our review of the funds currently recorded by the Village, we noted several funds that could be closed by the Village Council to ease the recording process and create clearer financial reports. Some of these funds have little to no current activity and very small balances at December 31, 2007.

We recommend the Village evaluate the various funds currently being maintained and possibly close any superfluous funds.